Italian Preferences for Libyan Products to be continued for 3 years

At the request of the Italian Government, supported by the Libyan and other governments, the CONTRACTING PARTIES have agreed to grant, for a further period of 3 years, exemption from Italian customs duties for certain Libyan exports. Final action on this point will be taken later in this Session when the CONTRACTING PARTIES will be asked to approve a Resolution under the terms of Article XXVI.5(a).

Libya is essentially an agricultural country, the main crops being wheat, barley, oats, maize, tobacco, almonds, citrus fruits, dates, oil, grapes and wine. Before the war Libya relied on Italy to take her exports, the percentage going to the Italian market being 92 per cent in 1936 and 89 per cent in 1937. Since the war there has been a steady resumption of Italian purchases on the Libyan market following the wartime stoppage. Italian imports of olive oil and wool have exceeded prewar levels, and the prewar pattern of trade is being gradually restored.

Preferential treatment by Italy for imports of Libyan goods dates back to 1911. In 1921 the Italian Government promulgated a special preferential tariff and in 1937 a new special tariff was instituted for goods originating in Libya which remained in force until Libya was occupied by Allied Forces. There is no doubt that these preferences influenced the development of Libyan economy and helped to establish specific industrial activities and handicrafts.

After the war, pending the final decision regarding the status of Libya, preferential arrangements were continued up to the time when the matter was examined at the GATT Sixth Session, when a waiver was given to continue special customs treatment until 30 September 1952 (later extended to the Seventh Session).

The CONTRACTING PARTIES have now considered the Italian request for the continuation of special customs treatment of goods originating in Libya. The Italian Government has submitted a list of goods together with the quotas (quantities) which would be imported annually into Italy duty free. Presenting this request, Mr. A. Di Nola, Italy, pointed out that his Government wanted to establish a stable régime with Libya. For this reason he asked the CONTRACTING PARTIES to approve a somewhat longer list of products and to grant a waiver for three years. He was supported by Mr. N.H. Coobar, Libya, who stressed that Libya was not yet in a position to compete in world markets, and by the delegates of France and Indonesia.

Mr. Willard Thorp, United States, drew attention to the fact that the new list of products was different from the list previously approved by the CONTRACTING PARTIES. He pointed out that GATT takes a different attitude as between
maintaining existing preferences and creating new preferences. However he accepted the statement of the Italian representative that the new list did not go beyond the extent of the 1937 list. As to the length of time, Mr. Thorp recognized that the historical channels of Libya's trade could not be altered immediately. Nevertheless he considered that, although he had no objection to the 3 year period as an operating arrangement, it was desirable that reports on trade and planning developments should be submitted annually. Dr. van Blankenstein, Netherlands, supported Mr. Thorp's views on yearly reports and said that Libya should in the long run establish trade with as many countries as possible and not just with Italy. Mr. Papatsonis, Greece, supported the 3 year waiver but said he was rather concerned with some of the products on the list, which were also Greek exports, such as dates, raisins and oil. Mr. Coobar, Libya, suggested that the Libyan Committees on Foreign Trade and Economic Planning should submit yearly reports to the CONTRACTING PARTIES.

The Italian delegate then pointed out that, while he agreed to the 3 year period and the submission of annual reports, the arrangement should be elastic enough to provide for changes in the list from time to time to deal with favourable crops or other possibilities of increasing Libyan exports. These variations in the quotas might be arranged; he suggested, by notification through the GATT Executive Secretary. Mr. C. Isbister, Canada, while agreeing with the proposed 3 year period and the annual reports, said that the Italian proposal for extending the quotas by giving notice and allowing 30 days for objections went far beyond the rules for preferences of other contracting parties and he doubted the desirability of granting such freedom. Mr. J. Leckie, United Kingdom, supported the Italian request for a 3 year period and pointed out that if Italy's prewar preferences had been notified at the time of Italy's accession to GATT they would probably have been recognized by the CONTRACTING PARTIES. But the suggestion that products in the list might be changed and new ones introduced went beyond the ordinary rules covering preferences, he said. Mr. Thorp, United States, also opposed the Italian request for possible changes in the list. Stability of arrangements was very important for trading interests, he added; if Italy increased the amounts she obtained from Libya other countries might be affected. Further, other countries would be less likely to include Libyan products in their import plans if they were uncertain as to availabilities.

Mr. Di Nola, Italy, said he did not wish to press the point for possible modification of the list of products admitted into Italy duty free. The Chairman, Mr. J. Melander, summed up saying that an important point of principle had been involved. It was agreed, he said, to grant a 3 year waiver during which time annual reports would be expected from the Libyan Committees on Foreign Trade and Economic Planning, and it was agreed that the list was to be considered as definite for 3 years unless changes in the list were authorized by the CONTRACTING PARTIES.